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Malaysia's New Generation of Political Leaders: Is Change Ahead?

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An Intelligence Assessment

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This paper was prepared by [redacted]
Office of East Asian Analysis, with a contribution by
[redacted] Office of Leadership Analysis. [redacted]

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Comments and queries are welcome and may be
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Key Judgments

*Information available
as of 15 October 1986
was used in this report.*

Since Dr. Mahathir bin Mohamad became Prime Minister in 1981, a new breed of young, middle-class Malays has been gradually replacing the preindependence old guard in political and other leadership positions. We believe this new leadership will dominate the government and the major party in the ruling coalition—the United Malays National Organization (UMNO)—in the next decade; they already form approximately a third of the Cabinet and UMNO's Supreme Council. As they rise through the ranks of the party and government, the new leaders will probably make the economy a top priority, and the United States, as the ultimate guarantor of Malaysian security and an important trade partner, will be a major focus of their concern. Although trade frictions and the government's inevitable endorsement of Islamic causes—Islam is the country's official religion and over half the population is Muslim—will be irritants in bilateral relations, we believe the solid US relationship with Malaysia will continue.

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Many of these young politicians have a strong background in business, and we believe governments they dominate will follow policies based primarily on pragmatic economic considerations:

- The new generation of leaders believes that economic progress depends on following a moderate form of Islam, rather than the stricter Islamic principles espoused by such countries as Pakistan or Saudi Arabia.
- Malaysian governments probably will retain the New Economic Policy—an affirmative action program for Malays—in some form; however, future leaders will almost certainly accelerate the Mahathir administration's recent deemphasis of the policy and increase reliance on the private sector for economic development.
- The new breed's more balanced economic policies will help ease discontent among the Chinese, who make up a third of the Malaysian population and are dominant players in the nation's economy.

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We expect that governments dominated by the new generation of leaders will evaluate diplomatic relationships on their material benefits. For security and economic concerns, they will continue to prize Malaysia's close relations with the countries in ASEAN. Given Vietnam's presumed utility as a buffer to China, they may soften the current administration's


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hardline position on Cambodia and urge ASEAN to accept a compromise that recognizes Vietnam's de facto control of Indochina. We think it likely the new breed, while remaining wary of China and the USSR, will aggressively seek profitable relations with them. These leaders will also continue to pay lipservice to Third World causes to boost Malaysia's reputation as an emerging leader in the developing world. 

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Scope Note

This Intelligence Assessment addresses generational change in leadership in Malaysia, a transition many countries in Southeast Asia are or will be experiencing within the next decade. In Malaysia, old-guard politicians who emerged before independence in 1957 are being succeeded by younger leaders who were not directly affected by British colonial rule. Although it will be several years before the full effects of the transition are known—the leadership changes are evolutionary rather than sweeping—to provide early warning to US policymakers, we examine what the changes might mean in Malaysia and for that country's relations with the United States. In some cases, we base our judgments of future policy direction on the young leaders' backgrounds and their performances in public service and the business world. In other cases, where Prime Minister Mahathir's heavy influence precludes any real knowledge of the young politicians' policy positions, and their performance record in and out of government is limited, our judgments are more speculative.

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Malaysia's New Generation of Political Leaders: Is Change Ahead?

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The Emergence of a Middle Class

In the last several years, a politically active middle class of young Malay professionals and entrepreneurs has emerged and is, in our judgment, already making a substantial impact on Malaysia's political, economic, and foreign policies. The new group is the offspring of the New Economic Policy (NEP), an affirmative action program begun in 1971 to give native Malays a greater role in the country's economy. The NEP's ambitious objectives of social restructuring promoted the transfer of Malays from agriculture, where they were concentrated, to employment and ownership in other sectors of the economy, particularly business. The government has had considerable success, according to economic observers, in this essential aspect of the NEP.

In 1981, Dr. Mahathir bin Mohamad, a member of the new middle class trained as a physician, became prime minister and president of the United Malays National Organization (UMNO), the dominant political party in the ruling 13-party coalition. According to the Embassy, UMNO is effectively the government of Malaysia since its leaders assume the top government positions and major policy initiatives are decided in UMNO's Supreme Council. In 1982, Mahathir and Deputy Prime Minister Musa bin Hitam launched a successful drive to gain control of UMNO through the systematic promotion of a "new breed" of well-educated young professionals. Since then, according to the US Embassy, urbanized Malay professionals have gradually replaced rural schoolteachers as the dominant force in UMNO.

The growing influence of the young middle class was most apparent at the May 1984 General Assembly of UMNO, where, according to the Embassy, 40 percent of the delegates were professionals and businessmen—three times the number in previous years. The average age of UMNO's newly elected Supreme Council then was just over 40. In all, young, middle-class Malays now form approximately a third of both Mahathir's Cabinet and UMNO's Supreme Council, leadership circles formerly dominated by wealthy aristocrats and British-educated lawyers.

The continuing increase in political representation and influence of young middle-class Malays is, in our judgment, inevitable. Mahathir's Cabinet shuffles following the party election in 1984 and the national election in August 1986 propelled several members of the younger generation to top ranks of the government. The new Cabinet, for example, includes Anwar Ibrahim (39), Minister of Education; Najib Abdul Razak (32), Minister of Culture, Youth, and Sports; Rais bin Yatim (44), Minister of Foreign Affairs; Sanusi bin Junid (43), Minister of Agriculture; and Abdullah bin Ahmad Badawi (46), Minister of Defense. Although political observers consider their portfolios—with the exception of the education ministry—to be relatively minor or heavily controlled by the Prime Minister, we believe these and other similar young Malay politicians will dominate the government in five to 10 years (see the appendix).

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Looking Toward the 1990s

UMNO and its leadership will remain at the center of Malaysian politics at least into the 1990s, in our judgment. The ruling coalition has captured a parliamentary majority in every election since 1959, and the coalition, in turn, has always been controlled by UMNO. In our view, the opposition has no reasonable expectation of coming to power any time soon; it failed in August 1986, when many political observers gave it a reasonably good chance of making strong gains. The opposition's aim probably will continue to be to deny the government the two-thirds majority needed to amend the Constitution, and to use elections as opportunities to air grievances.

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For its part, UMNO, according to the Embassy, is remarkably flexible, internally democratic, and responsive to broader sociopolitical trends. We expect it will adjust its policies enough to ensure that its monopoly of the political high ground will continue. Although the leadership style and values of the new breed are dramatically different from those of the old guard (see the table), changes have occurred gradually

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Characteristics of Old Guard Versus New Breed

	Old Guard ^a	New Breed
The people	Aristocrats and bureaucrats from a hierarchical, rural society, who led the country to independence in 1957. Retained power through feudal authority.	Professionals, entrepreneurs, technocrats. Young (most under 40), well-educated, mainly urban, ambitious, self-confident, impatient. Members of the new Malay middle class.
Their values	Deference to elders, waiting one's turn, ethnic unity in public, support for the status quo.	Efficiency, hard work, discipline.
Ideological underpinning	Believed politically weak Malays had to hang together to maintain political influence.	Take Malay political dominance for granted.
Primary source of power and status	Position in government.	Position in UMNO.
Advancement criteria	Privilege, personal ties.	Demonstrated merit, ability, competence.
Attitude toward:		
Minorities	Were financially and politically involved with Chinese capital.	Admit token representation of minorities in positions of power; however, no longer dependent on Chinese for financial support.
Royalty	Valued royalty as the protectors of Malay interests and articulators of Islamic orthodoxy.	Refuse to defer to royalty. Have claimed the traditional roles of royalty for themselves.
Islam	Followed a version of Islam that was modified and softened by Malay <i>adat</i> (pre-Islamic custom and culture). Did not dwell on their religious beliefs.	Stress a purer version of Islam all but devoid of Malay <i>adat</i> , but molded to be compatible with the imperative of modernization. Similar to the "Protestant ethic" of the West.
Foreign policy	Passive, essentially pro-Western.	Pro-Western, but more stridently nonaligned. Espouse firmer, more forceful policy positions.

^a "Old guard" refers to politicians who were dominant before Mahathir became prime minister in 1981.

enough to prevent cleavages from weakening the party. One reason is a strong preference within UMNO to settle disputes by compromise, as it did when Musa resigned in March. Although some members of UMNO resented Musa's abrupt resignation over "irreconcilable differences" with the Prime Minister, the event did not split the party as some outsiders predicted. We expect power struggles will continue between the factions in UMNO loosely formed around Musa and Mahathir, but the party's leaders will probably also continue to hammer out working compromises behind closed doors. This internal filtering process, we believe, will go a long way toward ensuring a smooth transition as the new generation increasingly takes hold of the government.

Policy Positions of the New Generation

Because many of the new generation of Malay leaders have a solid professional and business education, we believe their primary policy focus will be rapid economic development. Unlike the traditional Malay elite, who supported the status quo to ensure their privileged position (see the inset on Malaysia's leadership since independence), young Malay leaders value hard work and efficiency, according to the Embassy, and, in our judgment, will work aggressively and effectively to implement government policies. When Minister of Culture, Youth, and Sports Najib Razak was chief minister of Pahang state, for example, he

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fought for a balanced state budget and strict management of Pahang's natural resources and revenue, according to Malaysian press reports; we expect him to maintain those values as he rises in national government. Sanusi Junid—a graduate of the London School of Economics—while Minister for National and Rural Development from 1981 until 1986 worked to remove inefficiency in community development programs and cooperatives, earning the reputation of being a forceful troubleshooter, according to Asian journalists. []

The new generation of UMNO leaders is not a homogeneous group, however. According to the Embassy, some young Malay politicians, particularly those in rural areas, have not prospered significantly from the NEP. Many, uneasy with the Malays' rush to materialism, have been profoundly influenced by the resurgence of Islam that flowered in Malaysia in the mid-1970s, according to the Embassy. Although these emerging UMNO leaders are not as politically influential at a national level as their modern, business-oriented peers, we believe they exert a considerable amount of influence on voters at the grassroots. []

For the most part, because of their professional training and business experience, we expect leaders who rise to power at the national level to take pragmatic views on the key social, economic, and foreign policy issues that confront Malaysia. They will be somewhat less strident than the Mahathir administration is on Islamic issues, in our judgment, as well as more flexible in economic policy, and less ideological on foreign policy. Nevertheless, like their predecessors, future leaders will endorse only those policies that ensure the maintenance of Malay political dominance and will probably support Third World and Islamic causes whenever useful (see the inset on Musa's policy preferences as a model for the new breed). []

Islam. The next generation of leadership will probably devote much of its energy to convincing the nation that economic progress depends on following a moderate form of Islam, according to the Embassy. Their challenge will be to meld the resurgence of Islamic piety in Malaysia with national policies that foster

Malaysia's Leadership Since Independence

Malaysia's first Prime Minister, Tunku Abdul Rahman, took control of the country from the British in 1957, but during his 13-year leadership an essentially colonial social and economic structure and outlook persisted. Malay aristocrats, like the Tunku, who dominated the government, and Chinese business tycoons, who supported them, shared Western values and were often educated in the West. []

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Although racial riots in 1969 led to policies favoring ethnic Malays, the Anglicized, aristocratic nature of the leadership continued during the 1970s. The Tunku's successors, Tun Abdul Razak and Datuk Hussein Onn, were British-educated lawyers who pursued moderate, essentially pro-Western domestic and foreign policies. They formulated policies unilaterally and with little consultation among their political associates. As aristocrats, they were all but invulnerable to attack because of traditional Malay deference to royalty. []

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Prime Minister Mahathir, we believe, brought a clear end to the colonial era when he assumed office in 1981, and we view him as a transitional leader between the old guard and the new generation of Malaysian political leaders. Unlike his predecessors, he was educated in Southeast Asia rather than abroad, and he is of modest origins—the son of a schoolteacher. He vehemently condemned Britain's exploitative colonial policies and immediately imposed a boycott of British goods that remained in effect for 18 months. He publicly challenged the authority of the Malay royalty in 1983. Where his predecessors were conservative, Mahathir believes traditional, deference-laden Malay cultural values are the causes of Malay poverty and backwardness. Instead, Mahathir has sought to promote values such as hard work, discipline, and efficiency, and he has tried to introduce a more nationalistic, Eastward-looking foreign policy that holds up Japan and South Korea as models for Malaysian development. []

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Musa's Approach—A Model for the New Breed?

An Embassy report states that the next echelon of ambitious young leaders are mostly proteges of Deputy President of UMNO and former Deputy Prime Minister Musa. Musa's and Mahathir's policy orientations and political styles differ, and we believe the tendency reported by the US Embassy and the press of many new-breed politicians to prefer Musa to Mahathir is a clue to the values and beliefs of UMNO's new breed. []

Musa more closely represents the secular element of the new middle class, according to the Embassy. He shares Mahathir's belief that the New Economic Policy is essential to raise the educational and economic level of Malays; however, he believes that the tendency toward open-ended accommodation to Islam is potentially destabilizing, given Malaysia's ethnic cleavages. []

Musa was first elected to Parliament by a Chinese majority constituency and is more sensitive to the concerns of minorities than Mahathir, according to the Embassy. Musa has consistently worried about trends toward segregation and communal polarization. Before he resigned, he squashed a scheme to negate the results of the Sabah state election in 1985 where a non-Muslim was appointed the state's chief minister, for example. []

Though a dedicated Malaysian nationalist, Musa—unlike Mahathir—is clearly pro-Western, according to the Embassy. He was influential in restoring Malaysia's relations with the United Kingdom, which hit rock bottom during Mahathir's "Buy British Last" campaign in 1981-82. He also reportedly questions the premises of Mahathir's "Look East" policy, which favors Japan and South Korea over the West. Although Musa has stated that Malaysia does not want to be used as a pawn in an international power game, according to the Embassy he shies away from Mahathir's efforts to promote solidarity with Islamic Third World countries. []

modernization and economic development, while guarding against alienation of the large Chinese and Indian minorities, who no doubt believe that government endorsement of Islam in any form undermines their already second-class position in society. When the NEP was instituted following racial riots in 1969, for example, the policy promoted the economic advancement of Malay Muslims, while limiting the economic freedom of Chinese and Indian non-Muslims. The new breed will, for the most part, probably handle religious policies cautiously and pragmatically, retaining Islamic measures implemented by previous governments and introducing additional measures gradually while trying to confine their impact to the Malay community. For example, new leaders may impose an intensified Islamic curriculum on Malay schools, without affecting those schools for non-Malays. []

There are those within the new breed who have been deeply affected by *dakwah* (meaning to call), an Islamic missionary movement led by intellectuals with their roots in student politics. The Malaysian League of Muslim Youth (ABIM), according to the Embassy the most influential of *dakwah* organizations with about 35,000 members, seeks changes in government policy to allow for a completely Islamic way of life, furthering its cause through the administration of schools, cooperatives, and its own magazine. Anwar Ibrahim—founder, former president, and member of ABIM until 1982 when he entered the government—is touted by many political observers to be Mahathir's protege and, we believe, represents the more religious, less materialistic Malays. Because of Anwar's charismatic appeal and his emphasis on moderation in pursuit of Islamic goals, we believe he and his supporters are likely to gain a sizable degree of control in future governments. As a result, we expect they will continually try to pull the country toward a purer form of Islam; Anwar has stated publicly, however, that Islam in its purest form dictates communal and religious tolerance. Press reports indicate Anwar has actively fought for increased liberalization of the press and academic institutions and against corruption and poverty, and we believe, on balance, he is sensitive to

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the problems of a multiracial society and sympathetic to Malaysia's need to modernize. []

The question of how to handle Islamic extremists is controversial among leading members of the younger generation, but most agree that radicals must be contained, []

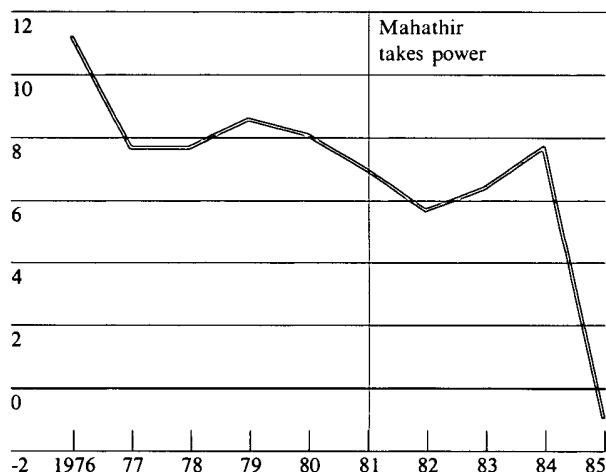
Malaysia has not been immune to Islamic extremism, dramatically illustrated by the bloody clash in Kedah state between Muslims and police in November 1985, which left 18 people dead. Government officials often accuse the Pan-Malayan Islamic Party (PAS)—UMNO's only competitor for Islamic votes—of being a radical party that must be constrained. Minister of Agriculture Sanusi Junid has publicly stated that PAS supports criminal activities and should be treated as a security threat. Minister of Defense Abdullah Badawi has said that the government would use the Internal Security Act impartially against anyone found trying to divide the Malay community, a clear allusion to PAS, in our view. Favoring a softer approach, Anwar Ibrahim prefers to challenge and presumably defeat PAS in open debate of Islamic principles, Embassy sources say. []

Economic Policy. The strong business background of the new breed leads us to believe it will be more realistic and less ideological in its economic initiatives than the older generation of political leaders, trained primarily in law. On the basis of this premise, we believe the younger generation will further relax constraints on foreign direct investment, especially encouraging investment where Malaysia holds a comparative advantage, such as in estate agriculture. In addition, the new breed will probably prefer more stable—even if lower—long-term economic growth to the roller coaster growth of the Mahathir administration (see the graph). []

In our judgment, a government under the new breed will almost certainly moderate the NEP and pursue a greater role for the private sector. Since it was the NEP that was responsible for their national prominence, future leaders will no doubt subscribe to its pro-Malay goals. Nonetheless, their public statements thus far indicate they believe that economic policy making under the NEP has been woefully inefficient and a cause of falling growth rates. For example, the

Malaysia: Real GDP Growth Rate

Percent



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NEP's requirement that 30 percent of any new company be owned by Malays discouraged private enterprise as well as foreign investment,¹ according to economic observers. Created to accomplish social and political goals more than economic objectives, the NEP also spawned a proliferation of special authorities and agencies with overlapping functions and responsibilities. The powerful public sector lacks parliamentary oversight or public accountability, which has shown up in financial scandals including the Bank Bumiputra scandal that resulted in a loss of \$1 billion for the government-owned bank, []

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So far, none of the new breed of leaders has been implicated in the Bank Bumiputra scandal—or the number of other government financial irregularities

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exposed since then. We view this as further circumstantial evidence that the generation of leaders that is emerging will be less blatantly political in its economic policy making than its predecessors. []

Dealing With Minorities. We believe that future leaders will be slightly more conciliatory toward Chinese and Indian minorities than the Mahathir administration, which has emphasized Islamic measures over concessions to minorities. (For example, in 1982 the Mahathir administration quashed a proposal to form a Chinese-language university, although admission to the country's other universities is governed by quotas favoring Malays.) Abdullah Badawi, while Minister of Education, often called for racial harmony in the public schools and encouraged increased contact between students of different ethnic groups in order to promote mutual understanding and respect, the Embassy reports. In addition, Anwar Ibrahim, UMNO's Youth wing leader, has worked closely with the youth wings of the Malaysian Chinese Association and other parties in the national coalition, and []

[] he is more popular with the minority youth leaders than any previous UMNO Youth leader. Any future leaders of UMNO would have to champion the interests of their Malay constituents, but we believe the Chinese would view almost anyone as an improvement over Mahathir. In the August 1986 election, for the first time in Malaysian electoral history, more Chinese supported opposition parties than the government's coalition parties, highlighting the increased alienation of Chinese under the Mahathir government. []

The Chinese almost certainly will welcome the realistic attitude we believe the new generation of leaders will bring to economic policy management. Chinese dissatisfaction of recent years has been caused mainly by the slowdown in economic growth and the NEP's restriction of their economic freedom, according to the Embassy, both of which we believe the new breed's emphasis on economic growth and sound economic policy will ameliorate (see the inset on the NEP and minorities). []

Foreign Policy. For the sake of economic and security concerns, we believe governments led by the new

The New Economic Policy Versus the Minorities

Kuala Lumpur adopted the New Economic Policy (NEP) in 1971, following violent racial rioting between Malays and Chinese—Muslim Malays constitute approximately half of the population, Chinese form another third. The policy was devised to redress the continuing economic backwardness of the Malays that the government perceived had been at the root of the unrest. Set for 20 years, it was instituted with the dual objectives of eradicating poverty and restructuring employment and corporate equity in favor of the economically backward Malays. []

To minimize non-Malay resistance to the NEP, the goals of this pro-Malay policy are not pursued through outright redistribution but as an outgrowth of what is presumed to be an expanding economy. On paper at least, Malay economic advancement occurs as the Malays are granted the majority of new opportunities in employment and ownership that are generated by economic growth. This policy lowers the proportion of non-Malay holdings relative to Malays, but, as long as the economy continues to expand, does not necessarily reduce the absolute wealth of minorities. []

Since 1985, however, the assumption that continuous economic growth will both be of advantage to Malays and also protect minority interests has become questionable. In 1985, Malaysia experienced its first economic contraction in a decade, when the real gross domestic product declined by 1 percent, and we believe there will be little, if any, growth this year. In addition, in 1985 the stock market collapsed and the prices of most of Malaysia's commodity exports fell, leading economic observers to predict two more years of stagnation. As a result of the economic slowdown, Mahathir cut back on the NEP early in 1986 by suspending the goal of increased Malay ownership, a move that will restore some of the economic leverage the policy took from minorities. []

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breed will work to preserve and build solid relationships with other ASEAN countries. For example:

- The new leaders will probably continue to cooperate with Thailand to combat drug trafficking and lingering Communist insurgents on their shared border, a mutually beneficial arrangement.
- Although the Embassy reports that members of the new breed view Indonesia's Suharto regime as old, corrupt, and insufficiently Islamic, they will work particularly hard to preserve relations with Indonesia—with whom they have their closest military relationship—to ensure that security ties remain effective.
- The way will be cleared for closer ties to the Philippines once Manila relinquishes the claim to Sabah that former Philippines President Macapagal staked in 1962. The issue might be settled in the next few years—President Aquino has declared her intention to settle it, apparently by giving up the claim. []

The new breed of leaders may, however, make significant changes in Malaysia's policy on Cambodia. The Mahathir administration's approach is to give Thailand strong diplomatic support, work behind the scenes to build the non-Communist Khmer resistance, and dodge real negotiations with Vietnam. According to the Embassy, some members of the younger, second echelon of UMNO—including Abdullah Badawi—challenge the government's position. This group believes that the prospects of attaining a truly independent and non-Communist Cambodia are doubtful and not necessarily in Malaysia's best interest, given Vietnam's presumed utility as a buffer to China. Although we believe a future Malaysian government will not break openly with Thailand for security reasons, members of the new breed may push harder for a compromise recognizing Vietnam's de facto control of Indochina. []

Following the Mahathir administration's example, the new breed will probably be politically wary of Communist countries but will aggressively seek economically profitable relationships with them.² Malaysian governments have distrusted China because of Beijing's past support for Communist rebels, mainly ethnic Chinese, during the Malayan insurgency in the 1950s and doubts about the loyalties of Malaysia's Chinese minority, who make up approximately one-third of the population. Malaysians are also wary of the Soviets—especially after a 1981 espionage scandal that resulted in the expulsion of two Soviet diplomats from the country—but they tend to view the USSR as a balance to a resurgent China and, thus, are less concerned about a rising Soviet presence in the region, according to the Embassy. Malaysia's concerns, however, have not dampened economic relations. For example, trade with the Soviet Union and China amounts to, respectively, \$300 million and \$400 million a year, levels that have stayed roughly the same for at least the past six years. []

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Implications for Relations With the United States

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Starting Off on the Right Foot. In our judgment, Malaysia's new leaders will strive for good economic and political relations with the United States. We believe the new generation of leaders will follow Mahathir's lead and base Malaysia's continued economic expansion on close trade and investment linkages to the United States and Japan (see the inset on US-Malaysian economic and security relations). From their perspective, US and Japanese businessmen are wary of continued Malaysian Government interference in the economy and affirmative action programs under the NEP, according to economic observers. The image of economic rationalism and Islamic moderation that the new leaders represent will, in our judgment, alter this view. []

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²There is at least one possible exception. According to political observers, Anwar Ibrahim is violently anti-Soviet and, we believe, may not advocate expanding Malaysia's economic relations with the USSR, however profitable. []

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US-Malaysian Economic and Security Relations

Economic relations between Malaysia and the United States, troubled over disagreements on commodities issues until mid-1983, were reinvigorated when the United States agreed that year to Kuala Lumpur's demand for consultations on the disposal of surplus tin. Since then, potentially troublesome economic issues, such as renegotiations of the rubber and textile agreements, have been handled pragmatically by both sides, according to the Embassy. US firms have invested \$3 billion in Malaysia and benefit from access to its abundant resources, including tin, timber, and natural rubber. US semiconductor producers have invested in important production facilities in Malaysia, the world's third-largest producer of integrated circuits. In the past few years, Malaysia has actively sought American technology and management skills by committing a large proportion of its future leadership to training in the United States—at least 24,000 Malaysian students are currently in the United States, over 80 percent of them studying business administration, computer science, and engineering. []

Prime Minister Mahathir has based his security policies on the judgment that a secure regional environment depends on strong US engagement not only in Southeast Asia but also directly with Malaysia, according to the Embassy. Adamantly nonaligned, Malaysia has nonetheless maintained defense agreements with Western countries since independence in 1957 and, since 1982, has had unpublicized military ties to the United States. In 1984, Malaysia and the United States established the Bilateral Training and Consultative Group (BITAC), which provides for joint military exercises, training, and other defense cooperation. The BITAC arrangement permits Kuala Lumpur to limit expenditures on its own military establishment and to focus on its priority of rapid economic development, while allowing the United States limited access to Malaysia's airfields and ports on the strategically important Strait of Malacca. []

As for security, the new breed will probably not change the close but quiet security relationship that has developed between the United States and Malaysia since the early 1980s, when Mahathir came to power. Malaysians consider the United States to be the ultimate guarantor of the country's security, according to the Embassy. On the basis of their expressed pragmatic views toward both foreign and domestic policies, we believe the new breed will continue to play down the security relationship publicly to avoid an Islamic backlash or the tainting of Malaysia's professed nonaligned image in the Third World. []

But Irritants Will Remain . . . Some frictions in bilateral relations are bound to occur regardless of who constitutes Malaysia's leadership. As a commodity exporter, Malaysia has trade objectives that inevitably conflict with some of those of the United States. In addition, we see little prospect for change in long-held Malaysian views that technology transfer from the United States is inadequate and that the United States does not consider the effects its economic policies, such as import quotas, have on smaller countries. []

In addition to differences over economic issues, we expect the new breed of leaders will pay lipservice to Islamic causes worldwide and identify with the Third World on international issues. This will lead to occasional friction with the United States in international forums such as the United Nations. []

[] Malaysia will almost certainly continue to hold closely to moderate Arab positions on issues such as Palestine. Nevertheless, shared political and security interests, such as narcotics suppression and concern over the Soviet occupation of Afghanistan, will help alleviate some of the diplomatic strains. []

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